

§ 591.204 Establishment of allowance areas.

(a) The Office of Personnel Management (OPM) designates within nonforeign areas allowance areas where employees are eligible to receive a cost-of-living allowance by virtue of living costs that are substantially higher than those in the Washington, DC, area. In establishing the limits of allowance areas, OPM considers:

- (1) The existence of a well defined economic community;
- (2) The availability of consumer goods and services;
- (3) The concentration of Federal employees covered by this part; and
- (4) Unique circumstances related to a specific location.

(b) The following allowance areas have been established where an allowance is authorized to be paid:

- (1) *State of Hawaii.* (i) City and County of Honolulu.
- (ii) County of Kauai.
- (iii) County of Maui (including Kalawao County).
- (iv) County of Hawaii.
- (2) *State of Alaska.* (i) City of Anchorage and 80-kilometer (50-mile) radius by road.
- (ii) City of Fairbanks and 80-kilometer (50-mile) radius by road.
- (iii) City of Juneau and 80-kilometer (50-mile) radius by road.
- (3) *Commonwealth of Puerto Rico.* The entire Commonwealth.
- (4) The U.S. Virgin Islands.
- (5) Territory of Guam and Commonwealth of the Northern Mariana Islands.

(c) The head of a department or agency will submit requests in writing to OPM for the establishment or revision of allowance areas.

[55 FR 1373, Jan. 16, 1990, as amended at 57 FR 58124, Dec. 9, 1992; 58 FR 32278, June 9, 1993; 59 FR 53725, Oct. 26, 1994]

§ 591.205 Comparative cost index.

(a) OPM calculates allowance rates for each area by comparing costs of four categories of expenses in the area to those in the Washington, DC area. Two allowance rates are calculated for each area; Local Retail and Commissary/Exchange (see § 591.207 of this part). The four categories of expenses are:

- (1) Consumption goods and services.
- (2) Transportation.
- (3) Housing.
- (4) Miscellaneous expenses.

(b) Costs are determined for several income levels and home occupancy types (renter or owner), and averaged.

(1) The cost of consumption goods and services (excluding transportation and housing) will be estimated from appropriate consumer expenditure data at several income levels for a standard family size. The cost of goods and services in the Washington, DC area will be adjusted by a price index reflecting the estimated price difference between the allowance area and the Washington, DC area.

(i) Goods and services surveyed. The types and amounts of consumption goods and services to be surveyed at each income level will be derived from appropriate consumer expenditure surveys. Whenever possible, exact brands and models are priced in each location. Price data are obtained from appropriate retail outlets in each area. Price data from military facilities are provided by the Department of Defense where needed. Individual items are grouped into categories according to common functions or uses.

(ii) The item and category weights are derived from consumer expenditure surveys. The category weights vary by income.

(2) Transportation costs for each income level and area are estimated using data collected by or for OPM on automobile operating expenses and other factors affecting transportation costs.

(3) Housing costs for renters and owners are estimated based on similar housing units. Standard shelter specifications (e.g., type, size, age) are selected for each income level. Appropriate living communities to survey based on the income level and housing type specified are selected for each survey location. Housing data on units within the selected communities meeting the specifications are then collected for newly purchased and previously purchased units. Mortgage interest rate and payment data are collected from lending institutions in the area, utility companies and other